August 1991

OREGON LABOR TRENDS

State of Oregon • Employment Division• Department of Human Resources

INDICATORS

UNEMPLOYMENT RATE

Oregon *(Seasonally Adjusted)*

June	1991	6.0
May	1991	5.9
June	1990	5.3

United States *(Seasonally Adjusted)*

June	1991	7.0
May	1991	6.9
June	1990	5.3

WAGE AND SALARY EMPLOYMENT INDEX

Oregon *(1977=100)*

June	1991	134.5
May	1991	134.3
April	1991	134.1
March	1991	134.8
February	1991	134.9

PRODUCTION WORKER AVERAGE HOURLY EARNINGS

Oregon

May	1991	$11.43
April	1991	$11.44
May	1990	$11.12

PRODUCTION WORKER AVERAGE WEEKLY HOURS

May	1991	39.5
April	1991	39.1
May	1990	39.8

CONSUMER PRICE INDEX (CPI)
1982-84 = 100
All Urban Customers

Portland-Vancouver

July-Dec. 1990	129.8
Yearly Change	6.7%
Annual Average 1990	127.4
Annual Change	5.8%

United States

June 1991	136.0
Yearly Change	4.7%
Annual Average 1990	130.7
Yearly Change	5.4%

Portland Hotline (503) 326-4132

ON YOUR MARK . . . GET SET . . .

Jeff Hanman

If you're waiting for a clear signal that the nation's year-long recession is over and a strong recovery has begun, you won't find it in the latest pile of economic statistics. Instead, the picture that is emerging is of a national economy that is trying to pick itself off the floor and crawl into the recovery room. We do seem to be at a turning point, but the prospects for what comes next are not all that clear, or even encouraging. While some economists expect this to be a "double-dip" or "w-shaped" recession, the consensus calls for an unusually fragile and anemic recovery compared with previous expansions. Virtually no one foresees a strong rebound in business activity in the next year or two.

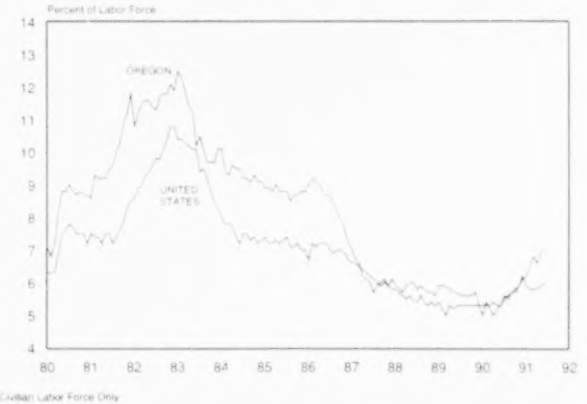
Why such pessimism? After all, 1992 is even a major election year. There are probably many reasons supporting the slow growth scenario but let's just mention a few:

- this may not come as a surprise, especially on the first of the month, but economists tell us that you and I (and other consumers) are financially "maxed out." That weary feeling you have may not be related to your workout regimen or mowing the lawn - it just may be a mountain of bills coupled with stagnant income growth and too much month left at the end of the money. So don't expect consumers (other than your spouse, perhaps) to come charging out of the spending gate as they have in the past.

- another reason supporting a weak recovery is that builders, at least nationally, are "spaced out." In other words, they've over-built commercial and residential space, especially back east and in California. This, coupled with relatively high long-term interest rates and tight credit, means that construction will provide much less "kick" during this recovery than in the past.

- a third factor is that bankers and borrowers are "freaking out" over what they see as too-stringent bank regulation in the wake of the S&L fiasco and too little money supply growth and credit availability supplied by the Federal Reserve. This "credit crunch" is especially hard on small to medium-sized firms that rely more on banks for their financing needs. Most new jobs created also tend to come from smaller firms.

SEASONALLY ADJUSTED UNEMPLOYMENT RATES
OREGON AND THE UNITED STATES



OREGON NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	JUN. 1991 1/	MAY 1991 2/	JUN. 1990	CHANGE FROM MAY 1991	CHANGE FROM JUN. 1991
TOTAL 5/	1,276,400	1,261,300	1,264,300	15,100	12,100
WAGE & SALARY EMPLOYMENT INDEX 6/	134.5	134.3	133.2	XXX	XXX
GOODS PRODUCING INDUSTRIES 7/	267,600	260,500	277,000	7,100	- 9,400
SERVICE PRODUCING INDUSTRIES 8/	1,008,800	1,000,800	987,300	8,000	21,500
TOTAL MANUFACTURING	210,200	205,600	221,900	4,600	- 11,700
DURABLE GOODS	150,800	148,000	160,700	2,800	- 9,900
LUMBER & WOOD PRODUCTS	59,200	56,900	65,600	2,300	- 6,400
LOGGING	10,900	9,800	11,700	1,100	- 800
SAWMILLS	19,700	19,300	22,100	400	- 2,400
VENEER & PLYWOOD	12,300	11,700	14,800	600	- 2,500
MILLWORK & STRUCTURAL WOOD	10,300	9,900	11,000	400	- 700
MOBILE HOMES	2,000	2,100	1,900	- 100	100
OTHER WOOD PRODUCTS	4,000	4,100	4,100	- 100	- 100
FURNITURE AND FIXTURES	3,000	3,100	3,100	- 100	- 100
STONE, CLAY, GLASS & CONCRETE	4,500	4,300	4,400	200	100
PRIMARY METALS	11,500	11,300	11,200	200	300
BLAST FURNACES, IRON & STEEL 9/	6,000	5,900	5,600	100	400
NONFERROUS METALS 9/	5,500	5,400	5,600	100	- 100
FABRICATED METALS	11,200	11,100	11,700	100	- 500
FABRICATED STRUCTURAL METALS	4,800	4,800	5,100	0	- 300
OTHER FABRICATED METALS	6,400	6,300	6,600	100	- 200
MACHINERY	15,900	16,000	18,100	- 100	- 2,200
OFFICE & COMPUTING MACHINES	4,300	4,300	4,600	0	- 300
OTHER MACHINERY	11,600	11,700	13,500	- 100	- 1,900
ELECTRONIC & OTHER ELECTRIC EQUIPMENT 9/	17,400	17,400	17,400	0	0
TRANSPORTATION EQUIPMENT	12,600	12,500	13,000	100	- 400
INSTRUMENTS & RELATED PRODUCTS 9/	11,600	11,600	12,100	0	- 500
MISCELLANEOUS MANUFACTURING	3,900	3,800	4,100	100	- 200
NONDURABLE GOODS	59,400	57,600	61,200	1,800	- 1,800
FOOD & KINDRED PRODUCTS	23,000	21,600	24,900	1,400	- 1,900
CANNING & PRESERVING	11,500	10,400	13,500	1,100	- 2,000
OTHER FOOD PRODUCTS	11,500	11,200	11,400	300	100
TEXTILE MILL PRODUCTS	1,500	1,500	1,600	0	- 100
APPAREL	2,800	2,800	2,900	0	- 100
PAPER & ALLIED PRODUCTS	9,500	9,200	9,400	300	100
PRINTING & PUBLISHING	14,500	14,500	14,000	0	500
CHEMICALS & ALLIED PRODUCTS	2,300	2,300	2,300	0	0
PETROLEUM & ASPHALT PRODUCTS	700	600	600	100	100
RUBBER & PLASTIC PRODUCTS	4,600	4,600	5,000	0	- 400
LEATHER PRODUCTS	500	500	500	0	0
TOTAL NONMANUFACTURING	1,066,200	1,055,700	1,042,400	10,500	28,300
MINING & QUARRYING	1,800	1,700	1,600	100	200
CONSTRUCTION	55,600	53,200	53,500	2,400	2,100
BUILDING CONSTRUCTION	12,600	11,700	13,600	900	- 1,000
HEAVY CONSTRUCTION	8,900	8,300	7,700	600	1,200
SPECIAL TRADE CONTRACTORS	34,100	33,200	32,200	900	1,900
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	65,000	64,400	64,100	600	900
TRANSPORTATION	43,400	42,800	42,500	600	900
RAILROAD	3,800	3,800	3,800	0	0
TRUCKING & WAREHOUSING	24,700	24,100	24,600	600	100
OTHER TRANSPORTATION	14,900	14,900	14,100	0	800
COMMUNICATIONS	12,300	12,300	12,300	0	0
UTILITIES	9,300	9,300	9,300	0	0
TRADE	317,500	314,800	313,900	2,700	3,600
WHOLESALE TRADE	80,900	80,400	79,000	500	1,900
DURABLE GOODS	47,100	46,700	46,500	400	600
MACHINERY, EQUIPMENT, & SUPPLIES	10,700	10,600	10,900	100	- 200
OTHER DURABLE GOODS	36,400	36,100	35,600	300	800
NONDURABLE GOODS	33,800	33,700	32,500	100	1,300
GROCERIES & RELATED PRODUCTS	11,900	11,800	11,800	100	100
OTHER NONDURABLE GOODS	21,900	21,900	20,700	0	1,200
RETAIL TRADE	236,600	234,400	234,900	2,200	1,700
BUILDING MATERIALS & GARDEN SUPPLIES	9,500	9,200	9,100	300	400
GENERAL MERCHANDISE	28,700	29,100	29,800	- 400	- 1,100
FOOD STORES	39,300	39,000	39,600	300	- 300
AUTO DEALERS & SERVICE STATIONS	28,300	27,900	28,200	400	100
APPAREL & ACCESSORY STORES	10,000	9,600	10,200	400	- 200
FURNITURE & HOME FURNISHINGS	9,500	9,300	9,700	200	- 200
EATING & DRINKING PLACES	88,500	86,500	85,200	2,000	3,300
MISCELLANEOUS RETAIL	22,800	23,800	23,100	- 1,000	- 300
FINANCE, INSURANCE, & REAL ESTATE	82,800	81,700	79,900	1,100	2,900
FINANCE	28,600	28,400	28,400	200	200
INSURANCE	23,200	23,100	23,000	100	200
REAL ESTATE	31,000	30,200	28,500	800	2,500
SERVICES	307,700	306,200	295,600	1,500	12,100
HOTELS & OTHER LODGING PLACES	21,800	20,800	20,900	1,000	900
PERSONAL SERVICES	11,000	11,100	10,900	- 100	100
BUSINESS SERVICES	51,300	50,100	50,900	1,200	400
AUTOMOTIVE & MISC. REPAIR SERVICES	17,500	17,000	16,800	500	700
MOTION PICTURES & AMUSEMENTS	14,800	14,600	14,100	200	700
HEALTH SERVICES	87,300	87,400	84,900	- 100	2,400
LEGAL SERVICES	9,300	9,200	9,000	100	300
PRIVATE EDUCATION	14,400	17,400	12,600	- 3,000	1,800
SOCIAL SERVICES	28,300	28,300	26,600	0	1,700
ENGINEERING & MANAGEMENT SERVICES	22,700	21,600	20,900	1,100	1,800
OTHER SERVICES & NEC	29,300	28,700	28,000	600	1,300
GOVERNMENT	235,800	233,700	233,800	2,100	2,000
FEDERAL GOVERNMENT	35,200	33,800	37,800	1,400	- 2,600
STATE GOVERNMENT	63,900	62,800	62,800	1,100	1,100
EDUCATION	26,300	26,300	26,200	0	100
OTHER STATE	37,600	36,500	36,600	1,100	1,000
LOCAL GOVERNMENT	136,700	137,100	133,200	- 400	3,500
EDUCATION	85,800	87,900	82,800	- 2,100	3,000
OTHER LOCAL	50,900	49,200	50,400	1,700	500
LABOR-MANAGEMENT DISPUTES 10/	0	0	300	0	- 300

OREGON RESIDENT LABOR FORCE
(BY PLACE OF RESIDENCE)

	JUN. 1991 1/	MAY 1991 2/	JUN. 1990	CHANGE FROM MAY 1991	CHANGE FROM JUN. 1991
CIVILIAN LABOR FORCE 3/	1,559,200	1,511,900	1,518,100	47,300	41,100
UNEMPLOYMENT	93,200	87,000	80,600	6,200	12,600
PERCENT OF LABOR FORCE	6.0	5.8	5.3	XXX	XXX
SEASONALLY ADJUSTED PERCENT	6.0	5.9	5.3	XXX	XXX
TOTAL EMPLOYMENT 4/	1,466,000	1,424,900	1,437,500	41,100	28,500

1/ Preliminary
2/ Revised
3/ Includes employed and unemployed individuals 16 years and older, adjusted for multiple job-holding and commuting.
4/ Includes nonagricultural wage and salary, self employed, unpaid family workers, domestics, farm workers, and labor disputants.
5/ Includes full and part time nonfarm wage and salary workers in pay periods including the 12th of the month. Proprietors, self employed, private household workers and armed forces excluded. Note: These data are estimated in cooperation with the U.S. Bureau of Labor Statistics and the Employment and Training Administration. All data are based on the 1987 Standard Industrial Classification (SIC) codes.
6/ Total nonagricultural wage and salary employment, seasonally adjusted, and indexed to 1977. Data on the earlier index (1972 = 100) can be converted to the 1977 base period by multiplying by a factor of 0.8264, the ratio between 1972's annual average employment (774,300) and that of 1977 (936,900).
7/ Goods producing industries include manufacturing, mining, and construction.
8/ Service producing industries include transportation, communications, and utilities; trade; finance, insurance, and real estate; services; and government.
9/ Series break. Data for 1988 and thereafter are not compatable to those for 1987 and before.
10/ Employees involved in labor disputes are not included in wage and salary employment counts.

- and then there's the federal government which seems to be ... well, shall we just say over-extended fiscally. The *Wall Street Journal* reports that the federal budget deficit is expected to hit a record $282 billion this year and an even bigger $348 billion next year! At that rate, we'll all have to outlive Methuselah (that's 969 years!) just to pay the interest on our share of the debt. To make matters worse, more than half of the states are facing huge budget deficits by raising taxes and cutting spending. So far, at least, Oregon is faring relatively well, although our state's fiscal time bomb is ticking due to the passage of Measure 5 last November.

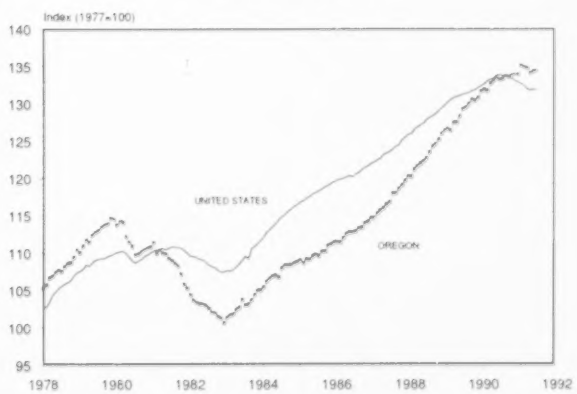
When you throw in the fact that defense spending is winding down, that the export stimulus is likely to weaken (higher foreign exchange value of the dollar plus slower economic growth overseas), and that many service-producing industries will be "restructuring" in the 1990s much like the manufacturing sector did in the '80s, it is difficult to envision a strong, sustained recovery.

Two major reasons for the record long expansion in the 1980s were big federal tax cuts and the heavy use of debt by consumers, business and the government to sustain demand even when income gains and tax revenues fell short. The bill for these excesses is now coming due in the form of tight credit and an unusually weak economic recovery that may bring little, if any, improvement in the unemployment situation and in real incomes after taxes. One positive side of this situation is that inflation is also likely to remain subdued (i.e., 3-4%) for at least the next year or two. Any improvement beyond that will require significant productivity gains in the service-producing sector which employs over three-fourths of all nonfarm workers. The most important area within services to control is medical care, where inflation has typically been almost twice the overall rate for years.

On that cheery note, let's shift our attention away from the nation, where unemployment inched up to 7.0% in June, the highest rate in five years, and focus instead on Oregon. Rather than zero in on June's labor market data with a microscope, let's step back and look at the trends over a longer time span with a wide-angle lens. This can be very helpful since it provides a context for better understanding the current situation.

First, consider the seasonally adjusted unemployment rate. The graph on the first page shows that Oregon's rate has been relatively stable and low so far this year, remaining in a narrow band between 5.8% and 6.0%, which it reached in June. Surprisingly, the national recession has not

NONFARM WAGE & SALARY EMPLOYMENT INDEXES
(SEASONALLY ADJUSTED)



GRAPH 3
OREGON EMPLOYMENT CHANGE
FROM ONE YEAR AGO

had a major impact on the state's overall unemployment rate. After reaching a 20 year low of 5.0% in April 1990 the rate rose steadily to 6.2% last December, and has receded a bit since then. Even more unusual is that Oregon's jobless rate has averaged only 5.9% during the first half of 1991, nearly a full percentage point lower than the nation's. This gap may narrow in the next year as the national economy begins to recover and Oregon continues to adjust to a lower level of federal timber harvest, slower population in-migration, and delayed impacts on the state's durable goods manufacturing sector from the national recession.

Another key factor clouding Oregon's unemployment prospects is the state's fiscal health. If no replacement revenues are forthcoming, Measure 5 will force progressively steeper spending and staff cuts over the next several years, especially within state government. This will make it much harder and more expensive for the state and local governments in Oregon to finance construction capital projects needed to support economic development. In addition, more social problems may be swept under the rug.

Another good barometer for Oregon's economy is the "nonfarm wage and salary employment index." This indicator, which actually has nothing to do with wage and salary *income*, shows the trend of nonfarm *employment* (the number of *jobs* actually), after seasonal adjustment, and indexed to the 1977 annual average employment level (1977=100). Since the number of nonfarm jobs tends to mirror the health of the overall economy without "lagging" or "leading," it is one of the best measures of the current economic trend. It is also highly reliable, available on a timely basis, and subject to minimal revision. In Oregon, the nonfarm employment estimate is developed by the Employment Division based upon a monthly survey of about 7,000 reporting establishments, including both public and private employers. At the national level, monthly payroll job trends from this federal-state cooperative survey of business establishments are followed closely by Federal Reserve policymakers including Alan Greenspan, the Fed Chairman. So if it's good enough for Al to use when deciding whether to crank up interest rates a notch or the money supply by a few billion, it's probably worth paying attention to the Oregon (or even local area) payroll jobs trend.

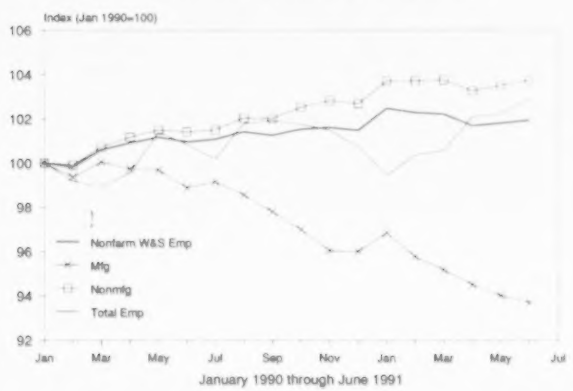
An accompanying graph shows the nonfarm employment indexes (seasonally adjusted) for both Oregon and the U.S. through June 1991. The impact of the national recession which began last summer is clearly evident from the U.S. employment index which peaked in June 1990 but has declined every month since then except for a short-lived rise in May. Oregon's employment index, however, continued to increase, although at a slower rate, through December and reached its all-time peak in January. Following three months of employment "recession," Oregon's jobs index rose in both May and June.

Another way of looking at Oregon's economic performance is to compare the current month's employment level with the same month one year earlier. A third graph shows this comparison for both nonfarm wage and salary employment (from the survey of 7,000 employer establishments discussed earlier) and also for total resident employment (this covers everybody including agricultural workers and nonfarm self-employed, unpaid family and domestic workers). The monthly estimates of total employment are much more erratic and subject to later revisions since they include hard-to-measure groups such as farm workers and the self-employed. In addition, the total employment estimates are based, in part, on a monthly survey (the Current Population Survey) of about 600 households in Oregon conducted by the Bureau of the Census. The small number of households contacted results in greater sampling errors, more volatility, and larger revisions a year or two later. Therefore, anyone using employment data to assess the health of Oregon's economy (or a local area) should focus mainly on nonfarm payroll employment which is based on employer tax records and the survey of establishments (the Current Employment Statistics survey) rather than the total employment series.

If you look again at the employment change graph, it shows a declining, yet quite predictable, annual change in nonfarm wage and salary employment during 1990-91, which is what we would expect during an economic recession. The annual change in total employment, however, is very erratic and unstable, and often doesn't even bear any resemblance to the nonfarm jobs series. This divergence in trends from the two employment series also occurs nationally but it is much more pronounced and volatile at the state and local levels. It is important for data users, and especially policymakers, to be aware of this divergence in order to better assess and respond to economic conditions.

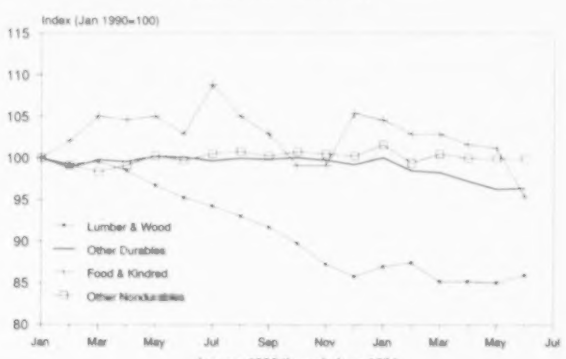
Since it has been said that "one picture is worth *billions* and *billions* of words..." (by Carl Sagan, I think), I will risk using several more graphs to show how Oregon's major industry categories have fared so far in 1991 relative to 1990. The technique used was to convert seasonally adjusted employment for each industry from January 1990 through June 1991 to an index value where each industry's January 1990 level was set equal to 100. If employment in each industry exhibited only its normal

GRAPH 4
OREGON SEASONALLY ADJUSTED EMPLOYMENT



January 1990 through June 1991

GRAPH 5
OREGON MANUFACTURING EMPLOYMENT
(SEASONALLY ADJUSTED)



January 1990 through June 1991

seasonal pattern with no real growth or decline, its index value would remain at 100 each month as shown by a horizontal line. An index value of 95 would indicate employment had declined by 5% since January 1990, while a reading of 105 would show 5% real growth. Since the slope of the lines show relative growth rates, it is easy to see which industries have fared best or worst during the past year and a half or during just the first half of 1991.

Graph 4 is especially revealing since it also shows the divergent trends, particularly in 1991, between nonfarm wage and salary employment and total employment as discussed earlier. Nonfarm payroll employment rose gradually last year, reached an all-time high in January 1991, and has shown virtually no growth so far this year. Total employment, however, was on a roller coaster during 1990. It hit the skids late last year reaching its *lowest* point in January, then went on a binge during the first half of this year reaching its peak in June.

What is going on? Are all those disiocated timber workers and in-migrants from California going into farm work or becoming self-employed gurus of something or other? I doubt it. A better explanation is that the total employment series is too erratic at the state and local levels to be reliable as a monthly economic indicator. During recessions, it is likely that some workers who lose their nonfarm payroll job will go into some type of self-employment. But this is usually temporary and probably does not fully account for the strong total employment increase shown during the first half of 1991.

If, in fact, the total employment series is exaggerating the employment "recovery" during this first half of 1991, then several questions arise. First, has the unemployment level and rate been too low during the first half of 1991, and likely to be revised upward early next year by the Bureau of Labor Statistics when 1990 Census data are incorporated into the annual benchmark revisions? And second, if total employment gains in the first half of 1991 are too rosy, does that imply that they may be understated in the second half due to some kind of self-correcting statistical mechanism? If they are, will Oregon's unemployment rate trend be adversely affected? Unfortunately, we won't know the answers to these questions until early next year when the Bureau of Labor Statistics completes the annual revisions to the household survey-based labor force and unemployment data. The message here is that the best and most reliable employment trends data will come from the nonfarm payroll employment by industry series. This series is developed from employer tax records and the survey of 7,000 establishments. Those readers who would like more information on the strengths and weaknesses of the household and business establishment surveys are encouraged to contact the author. Also, a reprint is available of a May 2, 1991 article in the *Daily Labor Report* (Bureau of National Affairs, Inc., Washington D.C.) entitled "Jobs Data Scrutinized as Recession Unfolds."

Returning to Graph 4, note that nonmanufacturing employment in Oregon increased gradually during 1990, but has more or less plateaued since early this year. Manufacturing, on the other hand, has been in a tailspin over the past year and a half. If this trend continues, more nonmanufacturing jobs will eventually be at risk.

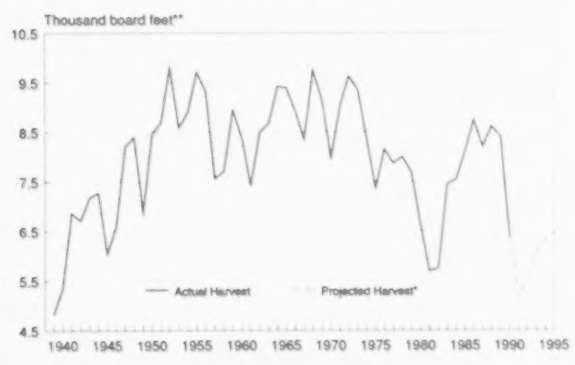
Graph 5 takes a closer look at four manufacturing categories. It's no surprise that lumber and wood products has been the biggest loser by far. What is interesting is that virtually all of the job loss occurred during 1990. So far in 1991, this industry has mostly been just bumping along the bottom. It stayed there even in the second quarter when lumber and plywood prices soared due to low inventories in the pipeline, a seasonal upswing in demand, and a heavy dose of panic buying after the U.S. Fish and Wildlife Service proposed logging restrictions on over 11 million acres of forest lands in the Pacific Northwest to protect the spotted owl. (Since late June, wood products prices have fallen about as fast as they rose in the spring.)

The national recession plus the cutbacks in federal timber supply due to the spotted owl, past over-cutting, and other factors have delivered a one-two punch that will likely result in the lowest annual timber harvest in Oregon this year (about 5.1 billion BF) since 1939! In 1988-89, Oregon's timber harvests were 8.6 and 8.4 billion BF, respectively.

Other durable goods manufacturing (excluding lumber and wood) actually held steady all last year despite the national recession and turmoil in the Persian Gulf. But these industries, including electronics, machinery, transportation equipment, and metals, typically react with a time lapse. This lag is reflected by the steady downtrend in the first half of 1991. Further declines are expected since U.S. capital spending declined at nearly a 10% annual rate in the first half of 1991 and the national economy, although kicking, is still sort of "brain dead."

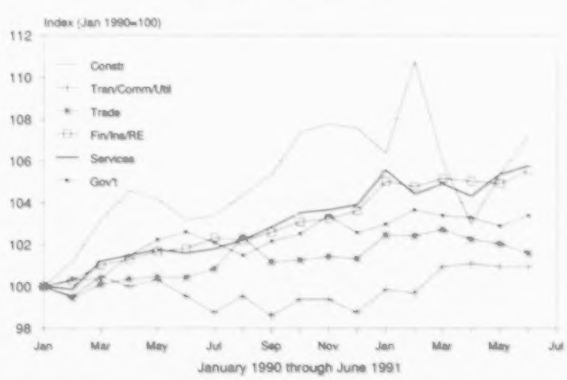
While nondurable goods manufacturing, excluding food products, has been relatively flat over the past year, the food processing industry showed a more volatile pattern, even after seasonal adjustment. Job trends were especially strong in the first part of 1990, slipped in the fall, and have shown persistent weakness during the first half of 1991. The sharp dropoff in June is probably only temporary, reflecting less than

OREGON TIMBER HARVEST
PUBLIC AND PRIVATE



**Scribner log scale
*May 1991 projection by Oregon Exec Dept

GRAPH 6
OREGON NONMANUFACTURING EMPLOYMENT
(SEASONALLY ADJUSTED)



January 1990 through June 1991

normal hiring by processing plants. Unusually cool, wet weather through June delayed strawberry and cherry harvests by two to three weeks.

Job trends in the major nonmanufacturing industries are highlighted in Graph 6. Although the y-axis scaling is narrower than in the previous graph in order to minimize the "clutter factor," it's evident that the construction industry has been the star performer in Oregon's economy, especially in 1990. Although seasonally adjusted employment has backed off from the February peak, construction employment in June nearly reached its all-time June high set in 1979. The weakest part of the industry is in construction of new homes, especially multi-family. There, the number of unit building permits has dropped by 66% during the first half of 1991 compared with the same period a year ago. Single-family permits have also fallen (-11%), but less precipitously. Repair and alteration work, however, has jumped sharply on both residential and non-residential buildings. This increase may, in part, be due to employers facing a January 1992 deadline to begin making their buildings more accessible to the physically impaired as required by the Americans with Disabilities Act of 1990.

Within the service-producing sector, the two industries that have fared best have been services and finance, insurance and real estate. In both cases, however, growth was largely confined to 1990 with little change evident since January. With mortgage interest rates quite possibly going even lower, we may see signs of strength in the second half in at least the home (re)financing industry.

Government employment has shown a similar pattern with a couple of exceptions. Faster job growth in the spring of 1990 was probably due to the hiring of several thousand temporary census workers which were laid off by the end of summer. Gains early this year could reflect the start of the legislative session. The slippage since February's peak is probably related to spending limitations and budget worries by state and local governments in the shadow of Measure 5, not to mention Uncle Sam's red ink-bleeding checkbook.

Job trends in the big trade category were one notch above anemic during 1990, especially in retail trade, but at least they were mostly positive. The upward spike in August was due to the opening of new stores and, more importantly, the effects of a grocery clerks labor dispute involving 5,000 workers. Due to the timing of the strike, both replacement workers and those returning after the dispute were counted as being employed. After reaching a peak, however, in the first few months of 1991, trade employment has been heading south. This is a little surprising when you consider that consumers have been getting some pretty fat income tax refunds. For the period January through June 1991, about 70% of all Oregon tax filers got state tax refunds averaging $289. Their federal income tax refunds were probably much larger based on IRS national data showing 89% of all tax filers got refunds averaging a whopping $909! Where's all the money going? Since the mattress and shoebox industries didn't report a surge in new orders, it's likely that taxpayers had spent their refunds earlier and have decided to pay off some debts in the face of uncertain economic prospects ahead.

The last and weakest industry shown in Graph 6 is transportation, communications and utilities. Most of the fluctuation in this category comes in the trucking and warehousing sector. After losing workers last summer, employment in T.C.U. rallied early this year but has been flat as a pancake since March, only 1% above its level of 18 months ago.

In summary, when you put it all together, the nation's and Oregon's economies today are like the race between the tortoise and the hare - only this time its a race between two tortoises. Oregon may win the race, but it sure won't set any speed records.

THE FRUITS OF LABOR

Bob Wilson

Total compensation -- the value of wages and fringe benefits received by workers -- has changed dramatically since the early 1900s. Motivated by a variety of economic events, fringe benefits have become an increasingly large share of total compensation. However, employees have not shared equally in this change. Recent studies of compensation costs and benefit participation rates point to a growing group of workers who earn low wages and receive few benefits.

Historical Perspective

Drawing information from the article "Compensation trends into the 21st century," *Monthly Labor Review*, February 1990, we find that prior to the 1930s, the terms 'total compensation' and 'wages' could be used interchangeably. Workers received wages based on the number of hours worked or the number of units produced. Fringe benefits, as we know them today, did not exist. There was no medical insurance to protect families from illness expenses, and workers faced unemployment, injury and retirement alone. It was up to each family to save enough to protect themselves from income loss due to these events.

Then the Great Depression of the 1930s hit. America had never before experienced economic suffering of such magnitude. For a full decade, the U.S. economy struggled. At its depths, twenty-five percent of American workers were unemployed and pervasive poverty resulted. Clearly, workers and their families could not be expected to individually prepare for such a financial catastrophe. As a result, Congress responded by passing the Social Security Act in 1935. Workers became entitled to mandatory unemployment insurance and retirement benefits funded through payroll taxes.

TABLE 1

Employer Costs per Hour Worked for Employee Compensation
Private Industry by Broad Industry Categories
Bureau of Labor Statistics
March 1991

	Goods-producing Industries		Service-producing Industries	
Total compensation	**$18.48**	**100.0%**	**$14.31**	**100.0%**
Wage rate	12.70	68.7	10.58	74.0
Total benefits	5.78	31.3	3.72	26.0
Paid leave	1.27	6.9	0.97	6.8
Supplemental pay	0.63	3.4	0.26	1.8
Insurance	1.41	7.6	0.86	6.0
Retirement/savings	0.66	3.6	0.36	2.5
Legally required	1.78	9.7	1.26	8.8
Other	0.03	0.2	*	*

** cost per hour is $0.01 or less*

TABLE 2

Employer Costs per Hour Worked for Employee Compensation
Private Industry by Broad Occupational Categories
Bureau of Labor Statistics
March 1991

	White-collar Workers		Blue-collar Workers		Service Workers	
Total compensation	**$18.15**	**100.0%**	**$15.15**	**100.0%**	**$7.82**	**100.0%**
Wage rate	13.40	73.8	10.37	68.4	5.96	76.3
Total benefits	4.75	26.2	4.78	31.6	1.85	23.7
Paid leave	1.38	7.6	0.91	6.0	0.35	4.5
Supplemental pay	0.32	1.8	0.54	3.5	0.11	1.4
Insurance	1.12	6.2	1.15	7.6	0.39	5.0
Retirement/savings	0.52	2.9	0.49	3.2	0.12	1.6
Legally required	1.39	7.7	1.68	11.1	0.88	11.2
Other	*	*	0.02	0.2	*	*

** cost per hour is $0.01 or less*

The next catalyst for change in compensation was the Second World War. Inflationary pressure caused by competition for limited resources forced the War Labor Board to regulate wage increases. Employers were encouraged to provide compensation that was not considered inflationary. Fringe benefits in the form of paid holidays and vacation, insurance and pension plans were offered. As a result, total compensation began to shift from wages alone to a combination of wages and fringe benefits.

This shift from wage income to fringe benefits continued in the postwar years. Tax incentives and group discounts made employer provided benefits, such as health insurance, attractive to workers. Union labor negotiators pressed for increased benefit packages to protect workers from income loss due to illness, accident and retirement. Today, over one-fourth of employee compensation is in the form of fringe benefits.

Total Compensation

Employer expenditures for fringe benefits continued to increase more rapidly than wages and salaries during the 1980s. Bureau of Labor Statistics (BLS) figures for the Employment Cost Index show that between June 1980 and June 1990, employer costs for benefits increased 84.2% while wages and salaries rose 58.1%, unadjusted for inflation. However, this rapid growth in benefit costs did not necessarily improve workers' standard of living. In fact, the opposite may be true.

Social Security tax increases combined with rapid escalation in health insurance premiums during the 1980s drove up benefit costs without providing improved benefit packages. Since each additional dollar spent on benefits cannot be spent on wages, inflation in fringe benefit costs resulted in smaller wage increases during the decade.

Employee compensation in private industry averaged $15.40 per hour worked during March 1991, according to the BLS. Of this amount, 72.3% of the costs ($11.14) were in the form of straight-time wages and salaries, while fringe benefits comprised the remaining 27.7% ($4.27). Mandatory benefits -- social security, workers' compensation and unemployment insurance -- were the most expensive and averaged $1.40. Other benefit categories were: paid leave ($1.05), insurance ($1.01), retirement and savings (44 cents) and supplemental pay (36 cents).

While these averages may be useful for tracking compensation costs for the economy as a whole, very few of us qualify as 'average' workers. Not surprisingly, wage and benefit costs vary widely among industries and occupations. Workers in goods-producing industries (mining, construction and manufacturing) received an average of $18.48 per hour in total compensation while workers in service-producing industries (transportation, communication, utilities, wholesale and retail trade, finance, insurance, real estate and services) earned $14.31, 22.6% less.

As indicated in Table 1, not only does the average worker earn lower wages in the service-producing sector, but fringe benefits represent a lower proportion of total compensation as well. Of the $4 less per hour earned by workers in the service-producing sector, $2 per hour is due to lower fringe benefits. Within the service-producing sector, workers in the two largest industry groups, retail trade and services, earned $8.81 and $14.70 per hour respectively.

When viewed from an occupational perspective, white-collar workers earned more than blue-collar or non-professional service workers. Table 2 shows that white-collar workers earned $18.15; more than twice the amount of total compensation earned by service workers ($7.82). Breaking down the occupational data even farther (Table 3), we find that professional and technical workers received $23.79 per hour while sales workers earned $12.90 per hour.

TABLE 3

Employer Costs per Hour Worked for Employee Compensation
Private Industry by Occupational Categories
Bureau of Labor Statistics
March 1991

	All	P/T	Exec	Sales	Admin	Svc	Craft
Total compensation	$15.40	$23.79	$28.15	$12.90	$13.17	$7.82	$19.24
Wage rate	11.14	17.54	20.85	10.00	9.41	5.96	13.26
Total benefits	4.27	6.24	7.30	2.90	3.76	1.85	5.98
Paid leave	1.05	1.95	2.43	0.65	0.99	0.35	1.18
Supplemental pay	0.36	0.40	0.53	0.23	0.24	0.11	0.64
Insurance	1.01	1.35	1.41	0.67	1.12	0.39	1.34
Retirement/saving	0.44	0.74	0.90	0.25	0.36	0.12	0.68
Legally required	1.40	1.79	1.99	1.10	1.04	0.88	2.11
Other	*	0.02	0.03	*	*	*	0.03

P/T = Professional specialty and technical workers
Exec = Executive, administrative and managerial workers
Admin = Administrative support, including clerical workers
Svc = Service workers
Craft = Precision production, craft and repair workers

** cost per hour is $0.01 or less*

Fringe Benefits

While compensation in the form of fringe benefits varies widely among industries and occupations, the dollar amounts in the prior paragraphs represent averages for all workers in the various categories. However, a recent Bureau of Labor Statistics study of fringe benefits found that many workers receive only the federally mandated benefits of social security, unemployment insurance and workers compensation.

Firm size plays a major role in determining the availability of fringe benefits. The smaller the establishment, the lower the percentage of workers participating in optional benefits. According to the BLS, 92% of full-time workers in medium and large establishments received medical care benefits while only 69% of full-time workers in small establishments (under 100 employees) received these benefits. Likewise, life insurance and retirement plan participation rates were at least 30 percentage points lower for full-time employees in small establishments (Table 4).

The plight of part-time workers in small establishments is even more dramatic. Only 6% of these workers were found to have medical benefits and participation rates in other benefit categories were similarly limited (Table 4). Ominously, certain sectors of our economy are becoming increasingly dominated by part-time employment.

Preliminary data for 1990 shows that non-supervisory workers in service industries worked an average of 32.6 hours while retail employees averaged only 28.8 hours. Since 1964 average hours of work in the retail field have steadily declined from 37.0 to the current level. By BLS definition, workers are considered part-time if they work less than 35 hours a week.

According to Chris Tilly in "Reasons for the continuing growth of part-time employment," *Monthly Labor Review*, March 1991, "..., since 1969, part-time jobs have expanded primarily because more employers view them as a means to cut labor costs, and not because more workers want them. In fact, involuntary part-time workers -- part-time workers who would prefer to work full-time hours -- account for most of the growth in part-time employment's share of the workforce since 1969." BLS figures show that the number of involuntary part-time workers increased 121 percent between 1970 and 1990.

TABLE 4

Percent of Employees Participating in Benefit Plans
Bureau of Labor Statistics

	Small Establishments* 1990			Medium/Large 1989
	Total	Full time	Part time	Full time
Paid holidays	72	83	28	97
Paid vacations	76	88	29	97
Medical care	56	69	6	92
Life insurance	52	64	6	94
Retirement plan	36	42	10	81

** under 100 employees*

Lest you conclude that a lack of medical benefits for workers in small establishments is a minor problem, you should know that almost two-fifths of the U.S. civilian work force are employed in small establishments. Of these estimated 40.8 million employees, 8.2 million work part-time. The Oregon Health Services Commission estimates that 450,000 Oregonians are without health insurance. Of this group, 41% work full-time and 15% work part-time. In a 1991 survey by The Gallup Organization, Inc. for Employee Benefit Research Institute, health insurance was found to be the most important employee benefit.

Conclusion

In review, fringe benefits as a part of total compensation have grown during the past 55 years in response to society's need for protection from financial misfortune. However, access to these benefits is not equal among workers. In fact, those who earn lower wages or work fewer hours also receive smaller fringe benefit packages - not just smaller in dollar terms but smaller as a percentage of total compensation. The workers least able to afford unexpected medical costs, or a disruption in income, are also least likely to have medical benefits, life insurance or disability insurance.

Growth in the number of involuntary part-time jobs offering low wages and few benefits, combined with stagnating wages for full-time workers has placed increasing strain on the American family. In an upcoming issue of *Oregon Labor Trends*, we will examine the social effects of these compensation trends and look ahead to the year 2000. Will our future be one of prosperity, lower living standards, or poverty? The answer depends on us. During the next ten years, decisions we make on the issues of education, health care and social welfare will determine America's future.

Oregon EMPLOYMENT DIVISION

OREGON LABOR TRENDS

Oregon Labor Trends is published monthly by the Research and Statistics Section of the Oregon Employment Division.

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